EXPECTATIONS

Forecast Methodology:

- review experiences of 8 of 15 states with tax amnesty since summer 2001 (KY, MASS, MICH, MISS, NJ, NY, OH, OKL)
- focus on SUT and CIT
- normalize collection results across states by expressing total amnesty related collections as a percentage of the most recent fiscal year’s collections
- Determine collections split between previously known and unknown liabilities
Prediction:

- Total Collections
  $207m \quad (SUT \ 148.2m + CIT \ 58.8m)

- Previously unknown Liabilities
  $72.5m \quad (35\%)

- Recurring Collections
  $24.2m \quad (1/3^{rd} \ of \ unknown \ Liabilities)

LEGISLATION

Coverage:

- Amnesty Period: July 1 – October 31, 2003
- All State and Local Taxes administered by the DOR
  - except for Unemployment Tax
- Liabilities due on or before June 30, 2003
- Liabilities known and unknown to Taxing Authorities
- Exclusion of Taxpayers
  - under criminal investigation
  - with prior conviction for violating a Florida Revenue Law
  - with settlement of payment agreement entered into prior to July 1, 2003
Taxes Covered by Amnesty

- Apalachicola Bay Oyster Surcharge
- Communication Service Tax
- Corporate Income Tax
- Documentary Stamp Tax
- Estate Tax
- Fuels Tax
- Government Leasehold Tax
- Gross Receipts (Utility) Tax
- Insurance Premium Tax
- Intangible Personal Property Tax
- Local Option Taxes administered by DOR
- Motor Vehicle Warranty Fee
- Pollutants Tax
- Sales and Use Tax
- Secondhand Dealers Fee
- Severance Tax
- Solid Waste and Surcharge Fees

Carrot:

- Elimination of Penalty
- Reduction of Interest
  - 50% for reporting liabilities unknown to the Department
  - 25% for settling liabilities known to the Department
- Limitation of liability related to previously undisclosed issues to three years
Stick:
- Waiver of all Protest Rights
- Waiver of Right for Refund
- Increase in Interest Rate to be charged on Deficiencies by 4 percentage points effective November 1, 2003
- Stepped up Enforcement Efforts after the Amnesty Period

PUBLIC AWARENESS
- 1.3 million Taxpayer Information Publications mailed
- Flyers included in 350,000 Billings and other Mailings
- 43,000 Letters mailed to Florida Businesses regarding possible Tax Obligation related to Commercial Rentals
- 2,500 Letters mailed to Businesses under Audit
- PSAs distributed to Cable TV Stations and Newspapers
- Advertisements in AMC Theaters
- 9,300 Radio Advertising Spots
- More than 50 Business Associations contacted
- Complete Amnesty-Related Information on DOR Website
- Website Links to Sites of other States’ Revenue Agencies, Florida Business Associations, and Professional Organizations
FILINGS AND PAYMENTS

- Over 19,000 Taxpayers participated
- Over 160,000 Payments submitted
- 60% of Agreements filed during final Month
- 1 out of 3 Taxpayers filed via Internet
- 1 out of 5 Internet Filers also paid via Internet
- 1/3rd of Internet Filings and almost 1/2 of Hardcopy Filings received during final Week
- More than 75% of Payments received during final Month
- More than 50% of Payments received during final Week

Amnesty Timing - Hardcopy Filings
_cumulative by week_

# of Weeks from Start of Amnesty

July - September  October  post Amnesty
COLLECTIONS

TOTAL $258.9M

by Payment Type

- Returns ($128.41)
- Audits ($120.00)
- Bills ($7.11)
- Warrants ($3.37)

$258.9m

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COLLECTIONS

TOTAL $258.9m

by Tax Type

- Corporate ($85.55)
- Sales & Use ($153.27)
- Intangible ($16.19)
- Communication Services ($6.26)
- Other ($3.42)

$258.9m
COLLECTIONS

TOTAL $258.9m

by Type of Liability and Taxpayer

Previously Unknown Liability
New Taxpayers $23.0m (8.90%)

Previously Unknown Liability
Existing Taxpayers $105.4m (40.71%)

$129.5m (50.39%)
Previously Known Liability
Existing Taxpayers

“New” $128.4m (49.6%)
COLLECTIONS

New Taxpayers $23.0m (8.9%)

RECURRING IMPACT

$20m - $21m

by Tax Type

Comm Rental (36.81%)
Comm Svcs Tax (11.68%)
Other Sales & Use (50.66%)
Other (0.86%)
AUDITS

$120m during Amnesty

Monthly Audit Collections

NET AUDITS

- SFY01/02  ($4.9m)
- SFY02/03  
  - Amnesty  $54.5m
  - Post Amnesty ($29.0m)  $25.5m
- SFY04/05  ($32.0m)

TOTAL  ($11.4m)

- Penalty & Interest Loss  ($11.4m)

NET AUDITS  $0.0m
COSTS

• $11.3m Interest forgiven
• $9.7m Penalties waived
• $610,000 Expenditures for Public Awareness Campaign
• Indirect Costs due to temporary Staff Reassignments

ESTIMATE vs ACTUALS

• Amnesty Collections
  Estimate   $207.0m
  Actual     $258.9m
  Difference $  51.9m
  
  attributable to:
  existing Liabilities ($  4.0m)
  new Liabilities     $55.9m
  (mostly CIT)

• Recurring Collections
  Estimate   $24.2m
  Actual     $20-21m
  Difference ($3-4m)
  
  attributable to:
  CIT          ($7.0m)
  SUT          $0.5-1.5m
  other taxes   $2.5m
SUMMARY

- Over 19,000 Taxpayers participated
- Over 160,000 Payment submitted
- Total Collections of $258.9m
- New Revenues of $128.4m generated
- $20m to $21m additional recurring annual Collections
- Shift of $55m in Audit Collections into Amnesty period
- No net Effect on Audit Collections
- $21.6m direct Cost

ASSESSMENT

Per Dollar of Expenditure:

$7 in Benefits during first year
$1 in Benefits each year thereafter